

106TH CONGRESS
2D SESSION

H. R. 5506

To amend the Internal Revenue Code of 1986 to expand the tip tax credit to employers of cosmetologists and to promote tax compliance in the cosmetology sector.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 19, 2000

Mrs. JOHNSON of Connecticut introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to expand the tip tax credit to employers of cosmetologists and to promote tax compliance in the cosmetology sector.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Cosmetology Tax Fair-
5 ness and Compliance Act of 2000”.

1 **SEC. 2. EXPANSION OF CREDIT FOR PORTION OF SOCIAL**
2 **SECURITY TAXES PAID WITH RESPECT TO**
3 **EMPLOYEE TIPS.**

4 (a) EXPANSION OF CREDIT TO OTHER LINES OF
5 BUSINESS.—Paragraph (2) of section 45B(b) of the Inter-
6 nal Revenue Code of 1986 is amended to read as follows:

7 “(2) APPLICATION ONLY TO CERTAIN LINES OF
8 BUSINESS.—In applying paragraph (1), there shall
9 be taken into account only tips received from cus-
10 tomers or clients in connection with—

11 “(A) the providing, delivering, or serving
12 of food or beverages for consumption if the tip-
13 ping of employees delivering or serving food or
14 beverages by customers is customary, or

15 “(B) the providing of any cosmetology
16 service for customers or clients at a facility li-
17 censed to provide such service if the tipping of
18 employees providing such service is cus-
19 tomary.”.

20 (b) DEFINITION OF COSMETOLOGY SERVICES.—Sec-
21 tion 45B of such Code is amended by redesignating sub-
22 sections (c) and (d) as subsections (d) and (e), respec-
23 tively, and by inserting after subsection (b) the following
24 new subsection:

25 “(c) COSMETOLOGY SERVICE.—For purposes of this
26 section, the term ‘cosmetology service’ means—

1 “(1) hairdressing,
 2 “(2) haircutting,
 3 “(3) manicures and pedicures,
 4 “(4) body waxing, facials, mud packs, wraps
 5 and other similar skin treatments, and
 6 “(5) any other beauty related service provided
 7 at a facility at which a majority of the services pro-
 8 vided (as determined on the basis of gross revenue)
 9 are described in paragraphs (1) through (4).”

10 (c) EFFECTIVE DATE.—The amendments made by
 11 this section shall apply with respect to taxes paid after
 12 December 31, 2000.

13 **SEC. 3. INFORMATION REPORTING BY PROVIDERS OF COS-**
 14 **METOLOGY SERVICES.**

15 (a) IN GENERAL.—Chapter 61 of the Internal Rev-
 16 enue Code of 1986 is amended by inserting after section
 17 6050S the following new section:

18 **“SEC. 6050T. RETURNS RELATING TO COSMETOLOGY SERV-**
 19 **ICES AND INFORMATION TO BE PROVIDED TO**
 20 **COSMETOLOGISTS.**

21 “(a) IN GENERAL.—Every person who leases space
 22 to any individual for use by the individual in providing
 23 cosmetology services (as defined in section 45B(c)) on
 24 more than 5 calendar days during a calendar year shall
 25 make a return, according to the forms or regulations pre-

1 scribed by the Secretary, setting forth the name, address,
2 and TIN of each such lessee.

3 “(b) STATEMENT TO BE FURNISHED TO INDIVID-
4 UALS WITH RESPECT TO WHOM INFORMATION IS FUR-
5 NISHED.—Every person required to make a return under
6 subsection (a) shall furnish to each individual whose name
7 is required to be set forth on such return a written state-
8 ment showing—

9 “(1) the name, address, and phone number of
10 the information contact of the person required to
11 make such return, and

12 “(2) a statement informing the recipient that
13 (as required by this section), the provider of the no-
14 tice has advised the Internal Revenue Service that
15 the recipient provided cosmetology services during
16 the calendar year to which the statement relates.

17 “(c) ADDITIONAL INFORMATION TO BE PROVIDED
18 TO SERVICE PROVIDER.—A person who provides a state-
19 ment pursuant to subsection (b) to an individual who pro-
20 vides cosmetology services shall include with the statement
21 a publication of the Secretary, as designated by the Sec-
22 retary, describing the tax obligations of independent con-
23 tractors unless the publication was previously provided to
24 the individual by the statement provider.

1 “(d) METHOD AND TIME FOR PROVIDING STATE-
2 MENT AND ADDITIONAL INFORMATION.—The written
3 statement required by subsection (b) and the additional
4 information, if any, required to be furnished under sub-
5 section (c) shall be furnished (either in person or in a
6 statement mailed by first-class mail which includes ade-
7 quate notice that the statement is enclosed) to the person
8 on or before January 31 of the year following the calendar
9 year for which the return under subsection (a) is to be
10 made. Such statement shall be in such form as the Sec-
11 retary may prescribe by regulations.

12 “(e) LEASE.—For purposes of this section, the term
13 ‘lease’ include booth rentals and any other arrangements
14 pursuant to which an individual provides cosmetology
15 services, other than as an employee, on premises not
16 owned by the service provider.

17 “(f) EXCEPTION FOR SERVICES PROVIDED BY PRO-
18 PRIETORSHIPS WITH EMPLOYEES.—This section shall not
19 apply to leases of premises with at least 3 work stations
20 for providing cosmetology services.”.

21 (b) CONFORMING AMENDMENTS.—

22 (1) Section 6724(d)(1)(B) of such Code (relat-
23 ing to the definition of information returns) is
24 amended—

1 (A) by striking “or” at the end of clause
2 (xiv),

3 (B) by adding a comma at the end of
4 clause (xv),

5 (C) by striking “; or” at the end of clause
6 (xvi) and inserting a comma,

7 (D) by striking the period at the end of
8 clause (xvii) and inserting “, or”, and

9 (E) by inserting after clause (xvii) the fol-
10 lowing new clause:

11 “(xviii) section 6050T (relating to re-
12 turns by cosmetology service providers).”.

13 (2) Section 6724(d)(2) of such Code is
14 amended—

15 (A) by striking “or” at the end of subpara-
16 graph (Z) and inserting a comma,

17 (B) by striking the period at the end of
18 subparagraph (AA) and inserting “, or”, and

19 (C) by inserting after subparagraph (AA)
20 the following new subparagraph:

21 “(BB) section 6050T(c) (relating to state-
22 ments from cosmetology service providers) even
23 if the recipient is not a payee.”.

- 1 (c) EFFECTIVE DATE.—The amendments made by
- 2 this section shall apply to calendar years after 2000.

